

# **Governor's Climate and Forest Task Force (GCF) Meeting**

## **The role of International Forestry in California's Cap and Trade Program:**



**September 28<sup>th</sup>, 2009  
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**California Air Resources Board**

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**California Environmental Protection Agency**

# Outline for Today's Presentation

1. Global Warming Solutions Act
2. Climate Change Scoping Plan
3. Cap and Trade Program
4. International offsets and sectoral crediting
5. Timeline

# California's Global Warming Solutions Act (AB 32)

- California Legislature passed the California Global Warming Solutions Act (AB32) and signed into law by Governor 2006
- AB32 is the legal instrument which guides implementation of cap-and-trade program
- Emissions return to 1990 greenhouse gas (GHG) emissions levels in California by 2020
- Designates the California Air Resources Board (ARB) authority to design, implement, and enforce AB32 through a “Scoping Plan” process

# What the Scoping Plan Recommends

- Combination of market mechanisms, other regulations, voluntary measures, and fees
- Cap-and-trade program: covering 85% of emissions, compliance be met through limited use of offsets
- Complementary measures:
  - Energy efficiency, Renewable energy, Regional targets for transportation-related emissions
  - Existing laws and policies (Low Carbon Fuel Standard)
  - Fees: public goods charge on water, administrative fee for AB 32 implementation



# California Forest Sector

- Forest Sector “No Net Loss” measure
  - Managing forests to maintain current rate of sequestration
  - Establishing new accounting methods (inventory)
- ARB adoption of Voluntary Forest Protocol for Offsets (9/24/2009)
  - Requires baseline calculation
  - Requires natural forest management approach to timber harvesting
  - Addresses additionality, permanence, leakage, and reversals

# Voluntary Forest Protocol for Offsets California Forest Sector

- Reversals are addressed by:
  - Requiring forest owners to compensate for avoidable reversals (over-harvesting, conversion)
  - Creating buffer-pool for unavoidable reversals (fire, disease)
  - Protocol requires a “Project Implementation Agreement”
- Eligible project types:
  - reforestation
  - improved forest management
  - conversion

# International Offsets

## Climate Change Scoping Plan:

*“those jurisdictions that demonstrate performance . . . in reducing emissions or enhancing sequestration through eligible forest carbon activities in accordance with appropriate national or sub-national accounting frameworks.”*

California Air Resources Board, *Climate Change Proposed Scoping Plan* (October 2008; approved December 2008) p. 38

# Cap and Trade Regulation

## Capped Sources

### 2012-2014

- In-State Electricity Generation Facilities ( $\geq 25,000$  MT CO<sub>2</sub>e/year) and Imported Electricity
- Large Industrial Facilities ( $\geq 25,000$  MT CO<sub>2</sub>e/year)

- 2015-2020

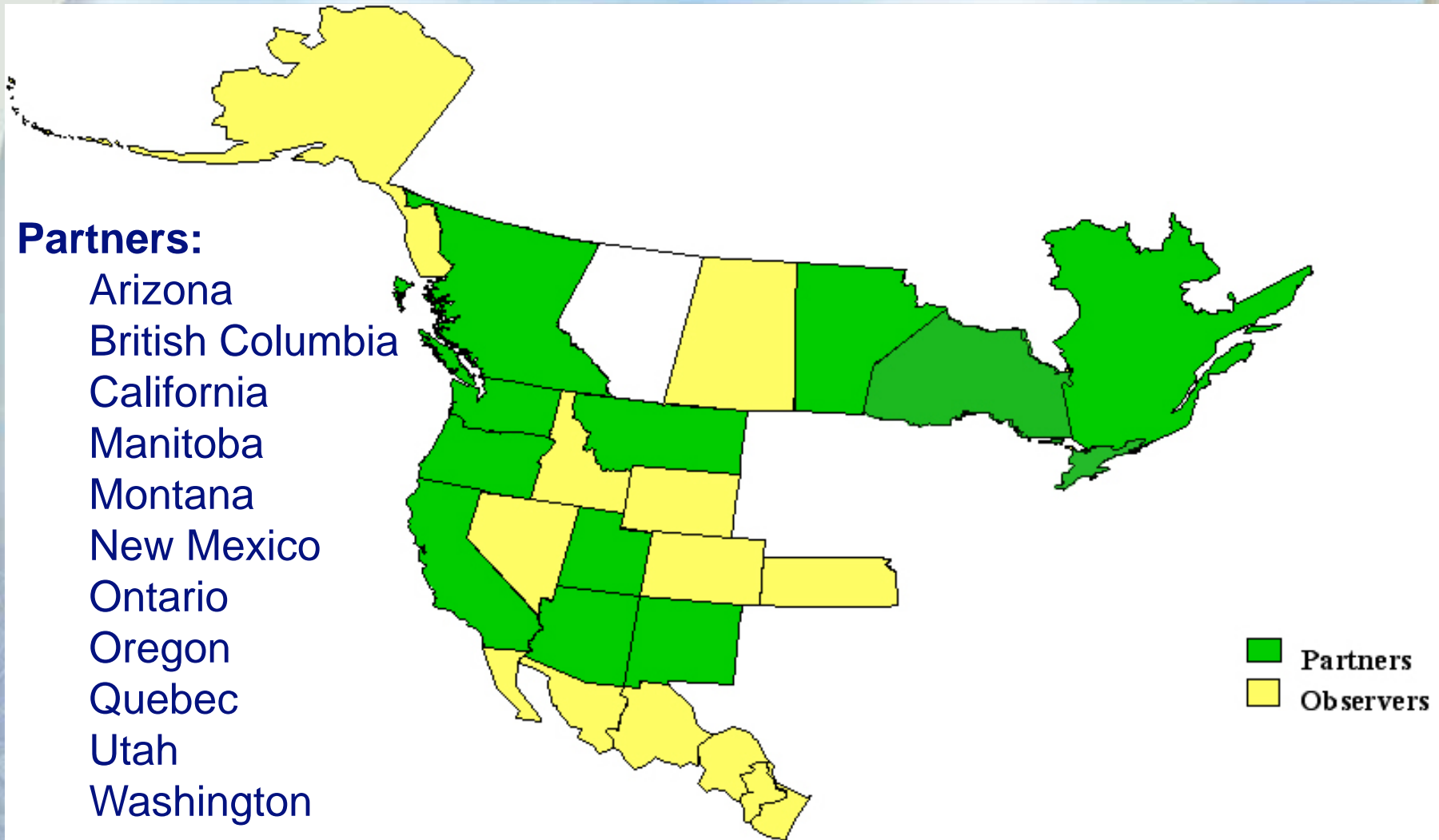
- Adds ‘upstream’ treatment of fuel combustion where fuel enters into commerce covering
  - Small industrial fuel use (captures combustion at facilities and electricity generators  $< 25,000$  MT CO<sub>2</sub>e/year)
  - Residential and commercial fuel use
  - Transportation fuel use



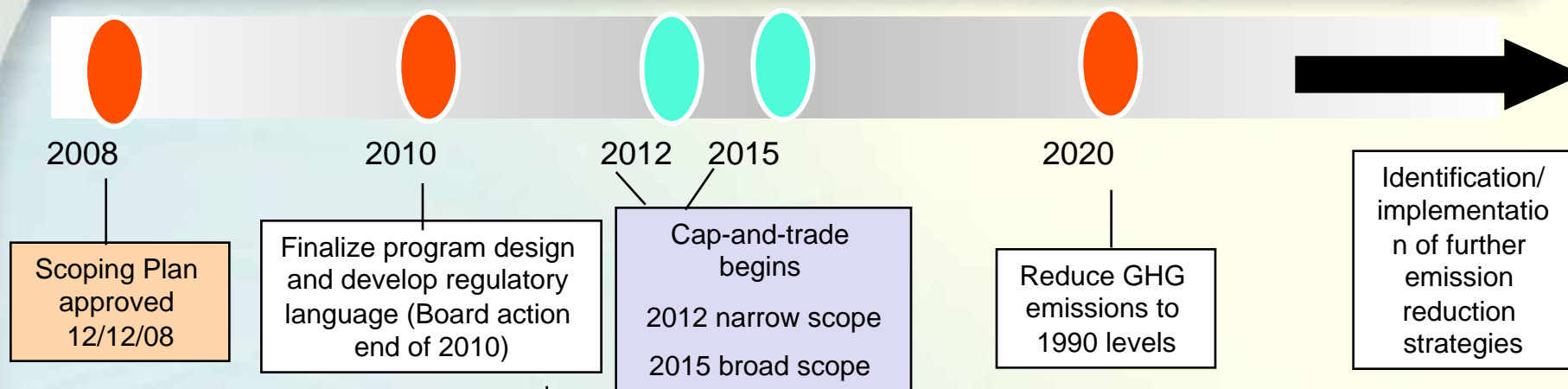
# Western Climate Initiative

## Partners:

Arizona  
British Columbia  
California  
Manitoba  
Montana  
New Mexico  
Ontario  
Oregon  
Quebec  
Utah  
Washington



# ARB Cap-and-Trade Timeline



***Rules and criteria for offset credits will be included in the regulation, with details to be fleshed out after adoption of the regulation***

# **International Offsets Program: General Criteria and Considerations**

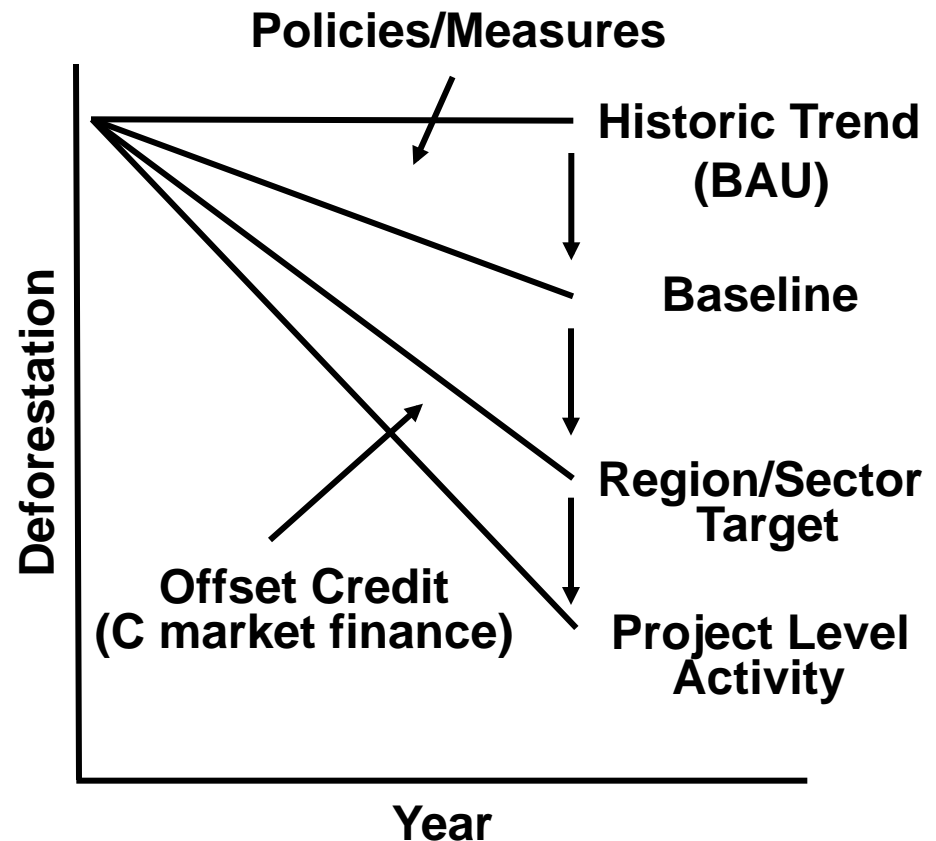
- Criteria for offsets
  - Real, additional, permanent, verified, quantifiable, and enforceable
  - Limit on offsets for compliance (no more than 49% of emission reductions)
  - No geographic limits
  - No domestic/international limit at this time
- Other considerations
  - Foster policy change in major emitting developing countries
  - Sustainable development and CDM reform
  - Model for U.S. federal and international programs

# International Forest Sector

- Offsets accepted in California's program will need a mechanism to ensure enforceability. Key considerations will include degree to which original country/state regulations
  - Link offset project to a state/national baseline and target
  - Establish enforceability mechanisms (Robust MRV, accounting, tracking, registry)
  - Can provide transparency to the flow of payments – where does the money go
  - Provide for Community-level benefit-sharing and sustainable development benefits at the project level

# Sector Approach

- Country/subnational historic trends (BAU)
- Baseline below BAU
  - State/National policies providing sustainable development benefits
- Sectoral crediting system in place
- Robust MRV in place
- Credits Ex-Post





## **Where GCF /Stakeholder input is needed**

- Legal mechanisms to ensure permanence
- Options for establishing a baseline
- Forest Sector crediting linked to project-based activities
- Capacity for Monitoring, Reporting, Verification
- Pilot projects to test adequacy of MRV, accounting, and sectoral crediting

# Contact Information

## **Air Resources Board Climate Change Website:**

<http://www.arb.ca.gov/climatechange>

## **California's Climate Change Website:**

<http://climatechange.ca.gov>

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